

4 June 2015

ANNUAL ARAC REPORT TO THE ENGLAND NATIONAL COMMITTEE**Purpose**

1. This paper presents the FCE+ Audit and Risk Assurance Committee's Annual Report to the English National Committee.

Background

2. The National Committee for England has established an Audit and Risk Assurance Committee (ARAC) as a sub-committee to support you in your responsibilities for issues of risk, control, governance and assurance by:
 - reviewing the comprehensiveness of assurances in meeting the assurance;
 - reviewing the reliability and integrity of these assurances;
 - providing an opinion on how well the National Committee and Accounting Officers (AOs) are supported in decision making and in discharging their accountability obligations, particularly in respect of financial reporting.
3. Clive Tucker has chaired the Committee since January 2014. The other members are Keith Oates, William Weston (to December 2014), Mary Barkham (from November 2014) and Mark Pountain (from February 2015). Ian Gambles, Simon Hodgson, Richard Greenhous, Liz Holmes and Steve Meeks attend the Committee, together with representatives of the National Audit Office and Ernst & Young. Other Forestry Commission officials attend as necessary.

Key Facts

4. The ARAC met four times during 2014/15 – 7 May 2014, 3 June 2014, 19 November 2014 and 24 February 2015. The Chair also attends the CAP-D Co-ordination Group and provides feedback to the ARAC.
5. The full suite of FC England, Cross Border and Central Services risk registers were reviewed at all but the May meeting. In addition, the ARAC has considered three risks in detail during the year – Cyber Security, changes to procurement regulations and the CAP-Delivery project. Regular reports were also received from FC England's Senior Information Risk Owner (SIRO).
6. At regular intervals the ARAC undertakes an effectiveness review through discussing one of the five principles of Good Practice. Principle 4 – Scope of Work – was discussed at the November and February meeting.
7. The ARAC reviewed and approved the Governance Statement for 2013/14.
8. The ARAC reviewed the Internal Audit annual report for 2013/14 and the strategy, mid year report and emerging findings for 2014/15.
9. The National Audit Office reported to the ARAC on their audit of the 2013/14 Annual Report and Accounts, including their letter to Management highlighting areas for improvement. Ernst & Young reported on the AP09 interim accounts for 2014/15 and discussed their strategy for the 2014/15 audit.

10. Each meeting starts with any conflict of interest declarations. A discussion between the committee members, Internal Audit and the National Audit Office representatives is also held to allow issues of concern to be raised without officers present.
11. The May meeting was held primarily to provide an opportunity to review and discuss the draft Annual Report and Accounts for 2013/14, prior to the June meeting which recommended their approval to the National Committee. The AP09 interim accounts for 2014/15 were reviewed at the February meeting.

Conclusion

12. The control of risk and financial management for the Forestry Commission England is adequate. There has been sufficient progress during the year in improving risk and financial management.
13. The main challenges for 2015/16 and beyond are:
 - handling the continued and increasing biosecurity threat;
 - delivering government forestry & woodlands policy statement commitments, and agreed performance targets, within an increasingly constrained financial environment, including continued progress towards targets for woodland improvement and creation;
 - handling the impact and consequences to Forestry Commission England of the introduction of new grant schemes under the next rural development programme for England, its delivery through CAP-Delivery and the restructuring of how EU payments are administered across the Defra network;
 - managing Woodland Policy Enabling Programme (WPEP) organisational change, including setting up the new Public Forest Estate Management Organisation (PFE MO), the future design of Forest Services and engaging with cross-border change, whilst maintaining business continuity and UKWAS certification;
 - introducing and maintaining appropriate ARAC oversight of the development of FEE in the context of the new Strategy Board structure and the agency's increased commercial responsibilities;
 - successfully resolving the various tax issues arising from HMRC compliance audits, and ensuring full compliance going forward;
 - broadening and deepening our engagement with other Defra network bodies, such as with Natural England on the new Countryside Stewardship scheme;
 - working with Defra on "One Business" initiatives where the Defra Network can co-operate more closely, including the development of Network Evidence Action Plans; and,
 - continuing to devolve Central Shared Services out from the centre to the countries in line with an agreed 'road map' for change, engaging with Defra Network Corporate Services as an integral part of the process

Recommendations

14. The National Committee is invited to note the Annual Report from the FCE+ ARAC.

Clive Tucker
Chair, Forestry Commission England Plus Audit and Risk Assurance Committee
May 2015